

**SPEARVILLE HOSPITAL DISTRICT**

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**FINANCIAL STATEMENTS  
and  
REQUIRED SUPPLEMENTARY INFORMATION  
with  
INDEPENDENT AUDITOR'S REPORT  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Spearville Hospital District  
Spearville, Kansas

We have audited the accompanying financial statements of the business-type activities of the Spearville Hospital District as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Spearville Hospital District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Spearville Hospital District as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America also require that the comparison of revenues and expenses (statutory basis) and the budgetary comparison statement – budget to GAAP reconciliation information on pages 11 and 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Kennedy McKee & Company LLP*

May 3, 2021

# **SPEARVILLE HOSPITAL DISTRICT**

## **STATEMENTS OF NET POSITION**

	December 31,	
	2020	2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 254,515	\$ 270,066
Certificates of deposit	54,684	53,244
Property taxes receivable	271,645	177,648
Other receivables	3,658	3,469
Inventory	5,515	4,713
Prepaid expenses	5,737	5,577
Total current assets	595,754	514,717
Noncurrent assets:		
Capital assets:		
Property, plant and equipment, net	216,178	239,266
Total assets	\$ 811,932	\$ 753,983
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>		
Current liabilities:		
Accounts payable	\$ 10,761	\$ 19,998
Accrued expenses	11,427	8,225
Total current liabilities	22,188	28,223
Deferred inflows of resources	271,645	263,403
<b>NET POSITION</b>		
Net investment in capital assets	216,178	239,266
Unrestricted	301,921	223,091
Total net position	518,099	462,357
Total liabilities, deferred inflows of resources, and net position	\$ 811,932	\$ 753,983

The accompanying notes are an integral part of the financial statements.

# SPEARVILLE HOSPITAL DISTRICT

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year ended December 31,	
	2020	2019
Operating revenues:		
Net resident service revenue	\$ 119,565	\$ 121,576
Clinic revenues	6,992	1,726
Friendship meals	44,356	41,858
Miscellaneous	3,095	7,025
Total operating revenues	<u>174,008</u>	<u>172,185</u>
Operating expenses:		
Payroll	133,596	122,378
Payroll taxes	9,853	9,402
Employee health insurance	14,813	13,124
Repairs and maintenance	17,938	27,580
Clinic expenses	35,976	53,094
Friendship meals expense	39,938	38,218
Utilities	49,204	44,363
Insurance	20,065	19,101
Office supplies and expenses	2,096	3,351
Professional services	9,606	10,596
Depreciation	53,741	54,879
Miscellaneous expense	7,933	3,636
Total operating expenses	<u>394,759</u>	<u>399,722</u>
Operating income (loss)	<u>(220,751)</u>	<u>(227,537)</u>
Nonoperating revenues (expenses):		
Property taxes	276,582	268,944
Interest income	1,723	255
Noncapital grants and gifts	330	1,617
Gain (loss) on disposal of assets	(2,142)	(66)
Total nonoperating revenue	<u>276,493</u>	<u>270,750</u>
Change in net position	55,742	43,213
Net position, beginning of year	<u>462,357</u>	<u>419,144</u>
Net position, end of year	<u>\$ 518,099</u>	<u>\$ 462,357</u>

The accompanying notes are an integral part of the financial statements.

# SPEARVILLE HOSPITAL DISTRICT

## STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2020	2019
Cash flows from operating activities:		
Receipts from and on behalf of residents and patients	\$ 126,557	\$ 123,302
Receipts from meals	44,167	42,027
Payments to suppliers and contractors	(207,768)	(215,270)
Payments to employees	(140,247)	(131,781)
Other receipts, net	3,095	7,025
Net cash provided (used) by operating activities	<u>(174,196)</u>	<u>(174,697)</u>
Cash flows from noncapital financing activities:		
Property taxes supporting operations	190,827	258,029
Noncapital grants and gifts	330	1,617
Net cash provided (used) by noncapital financing activities	<u>191,157</u>	<u>259,646</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	<u>(32,795)</u>	<u>(12,288)</u>
Cash flows from investing activities:		
Interest income	<u>283</u>	<u>255</u>
Net increase (decrease) in cash and cash equivalents	(15,551)	72,916
Cash and cash equivalents, January 1	<u>270,066</u>	<u>197,150</u>
Cash and cash equivalents, December 31	<u><u>\$ 254,515</u></u>	<u><u>\$ 270,066</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating loss	\$ (220,751)	\$ (227,537)
Depreciation	53,741	54,879
Changes in operating assets and liabilities:		
Other receivables	(189)	169
Inventory	(802)	(1,301)
Prepaid expenses	(160)	(473)
Accounts payable	(9,237)	(433)
Accrued expenses	3,202	(1)
Net cash provided (used) by operating activities	<u><u>\$ (174,196)</u></u>	<u><u>\$ (174,697)</u></u>

The accompanying notes are an integral part of the financial statements.

**SPEARVILLE HOSPITAL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2020 and 2019

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Nature of operations**

The Spearville Hospital District (the District) is operated by a Board of Directors elected by the qualified voters of the District. The District was organized to provide services for the benefit of the residents in and around Ford County. The District primarily earns revenue by providing self-care apartments and senior meals. Additionally, basic medical services are provided at the District's clinic through a contract with the Edwards County Medical Center.

**2. Basis of accounting**

The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows/outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Property taxes and investment income are included in nonoperating revenues and expenses.

**3. Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and deferred inflows/outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**4. Cash equivalents**

The District considers all liquid investments with original maturities of three months or less to be cash equivalents.

**5. Property taxes**

The District received approximately 61% of its financial support from property taxes in both 2020 and 2019. One hundred percent of these funds were used to support operations.

Property taxes are assessed in November and are received beginning in January of the following year. Revenue from property taxes is recognized in full in the year following the year the taxes were levied, which is the year in which use is first permitted.



## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 6. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted (unless specifically exempted by statute). Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in a local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held, and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received, and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

### 7. Risk management

The District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

### 8. Receivables

All receivables are reported net of estimated uncollectible amounts.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 9. Inventory

Inventory is stated at the lower of cost, determined using the first-in, first-out method, or market.

### 10. Capital assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land improvements	10 - 15 years
Buildings	5 - 40 years
Major moveable equipment	5 - 20 years

### 11. Compensated absences

The District's policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the Statement of Net Position date plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

### 12. Deferred inflows of resources

The District's Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Revenue from property taxes is recognized in full in the year following the year the taxes were levied, which is the year in which use is first permitted. Accordingly, unavailable revenues from property taxes are reported in the Statement of Net Position.

### 13. Net position

Net position of the District is classified in two components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 14. Income taxes

As an essential government entity, the District is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

## B. DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Kansas; bonds of any city, county, school district, or special district of the State of Kansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At December 31, 2020, the District's carrying amount of deposits was \$309,084 and the bank balance was \$306,867. Of the bank balance, \$304,684 was covered by federal depository insurance and \$2,183 was collateralized with securities that did not meet the requirements of K.S.A. 9-1402 held by the pledging financial institutions' agents in the District's name.

## C. CAPITAL ASSETS

	Balance January 1, 2020	Additions	Deletions	Balance December 31, 2020
Land and land improvements	\$ 50,071	\$ -	\$ -	\$ 50,071
Buildings	1,635,562	-	-	1,635,562
Major moveable equipment	342,311	32,795	6,453	368,653
	<u>2,027,944</u>	<u>32,795</u>	<u>6,453</u>	<u>2,054,286</u>
Less accumulated depreciation				
Land improvements	35,666	619	-	36,285
Buildings	1,482,830	39,159	-	1,521,989
Major moveable equipment	270,182	13,963	4,311	279,834
	<u>1,788,678</u>	<u>53,741</u>	<u>4,311</u>	<u>1,838,108</u>
Capital assets, net	<u>\$ 239,266</u>	<u>\$ (20,946)</u>	<u>\$ 2,142</u>	<u>\$ 216,178</u>

  

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
Land and land improvements	\$ 50,071	\$ -	\$ -	\$ 50,071
Buildings	1,632,020	3,542	-	1,635,562
Major moveable equipment	343,535	8,746	9,970	342,311
	<u>2,025,626</u>	<u>12,288</u>	<u>9,970</u>	<u>2,027,944</u>
Less accumulated depreciation				
Land improvements	35,047	619	-	35,666
Buildings	1,443,127	39,703	-	1,482,830
Major moveable equipment	265,529	14,557	9,904	270,182
	<u>1,743,703</u>	<u>54,879</u>	<u>9,904</u>	<u>1,788,678</u>
Capital assets, net	<u>\$ 281,923</u>	<u>\$ (42,591)</u>	<u>\$ 66</u>	<u>\$ 239,266</u>

#### D. CORONAVIRUS (COVID-19)

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. On March 12, 2020, the Governor issued Executive Order No. 20-07 which required school buildings and facilities to close and cease in-person instruction. On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by Congress and signed into law by the President to provide economic assistance to individuals, businesses, and municipalities affected by the pandemic. In response to the CARES Act, the Governor formed the Strengthening People and Revitalizing Kansas (SPARK) Taskforce to oversee the statewide distribution of CARES Act funding. On June 16, 2020, the State Finance Council approved the SPARK Taskforce's proposal to distribute money to the various counties to help address the health and economic challenges inflicted by COVID-19 based on the county's population and impact from COVID-19. To ensure that all educational and municipal entities within counties receive the Coronavirus Relief Funds, the SPARK Taskforce directed counties to allocate and share Coronavirus Relief Funds with public educational and municipal entities within their counties to help meet their respective health and economic challenges.

While management cannot quantify the financial and other impacts to the District, management believes that an impact on the District's financial position and results of future operations is reasonably possible.

#### E. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 3, 2021, the date on which the financial statements were available to be used. Management's evaluation concluded there are no subsequent events that are required to be recognized or disclosed in this financial statement except for the ongoing concern regarding the novel strain of coronavirus (COVID-19) as discussed in Note D above.

**REGULATORY – REQUIRED  
SUPPLEMENTARY INFORMATION**

# SPEARVILLE HOSPITAL DISTRICT

## COMPARISON OF REVENUES AND EXPENSES (STATUTORY BASIS) ACTUAL AND BUDGET

Year ended December 31, 2020

	Budgeted amounts		Actual amounts	Variance with
	Original	Final	(budgetary basis)	final budget positive (negative)
Budgetary fund balance, beginning of year	\$ 140,642	\$ 140,642	\$ 295,087	\$ 154,445
Resources (inflows):				
Taxes	274,458	274,458	190,827	(83,631)
Net resident service revenue	90,000	90,000	119,565	29,565
Friendship meals	35,000	35,000	44,167	9,167
Clinic revenues	-	-	6,992	6,992
Investment earnings	100	100	1,723	1,623
Noncapital grants	-	-	330	330
Miscellaneous	300	300	3,095	2,795
Amounts available for appropriation	540,500	540,500	661,786	121,286
Charges to appropriations (outflows):				
Salaries and benefits	166,500	166,500	158,262	8,238
Utilities and phone	50,000	50,000	49,204	796
Professional services	12,000	12,000	9,606	2,394
Advertising	2,000	2,000	626	1,374
Supplies, repairs and maintenance	85,000	85,000	68,241	16,759
Insurance	25,000	25,000	20,065	4,935
Clinic expense	120,000	120,000	35,976	84,024
Capital outlay	80,000	80,000	32,795	47,205
Total charges to appropriations	540,500	540,500	374,775	165,725
Budgetary fund balance, end of year	\$ -	\$ -	\$ 287,011	\$ 287,011

## SPEARVILLE HOSPITAL DISTRICT

### BUDGETARY COMPARISON STATEMENT BUDGET TO GAAP RECONCILIATION

Year ended December 31, 2020

Sources/inflows of resources:

Actual amounts available for appropriation from the budgetary comparison statement	\$ 661,786
Differences, budget to GAAP:	
The unencumbered cash at the beginning of the year is a budgetary resource, but is not a current year revenue for financial reporting purposes.	(295,087)
Current year property tax and other receivable amounts are not a budgetary resource, but they are revenues for financial reporting purposes.	275,303
Prior year property taxes and other receivable amounts are a budgetary resource, but they are not revenues for financial reporting purposes.	(181,117)
Current year deferred inflows of resources are a budgetary resource, but they are not revenues for financial reporting purposes.	(271,645)
Prior year deferred inflows of resources are not a budgetary resource, but they are revenues for financial reporting purposes.	263,403
Proceeds from the sale of capital assets is a budgetary resource, but only the gains are reported as a revenue for financial reporting purposes.	<u>(2,142)</u>
Total revenues and nonoperating revenues as reported on the statements of revenues, expenses and changes in net position	<u><u>\$ 450,501</u></u>

Uses/outflows of resources:

Actual amounts of charges to appropriations from the budgetary comparison statement	\$ 374,775
Differences, budget to GAAP:	
Depreciation expense is an expense for financial reporting but not for budgetary purposes.	53,741
Prepaid expenses are budgetary outflows but are deferred and reported as an expense as the benefit is utilized.	(160)
Capital asset purchases are budgetary outflows but are capitalized and depreciated over a specified class life for financial reporting purposes.	(32,795)
Inventory purchases are included as a budgetary outflow, but are reported as an expense when the inventory is sold for financial reporting purposes.	<u>(802)</u>
Total operating expenses as reported on the statements of revenues, expenses and changes in net position	<u><u>\$ 394,759</u></u>